

City of Hesperia

STAFF REPORT



DATE: January 21, 2020

TO: Chair and Commissioners, Hesperia Housing Authority
Chair and Commissioners, Hesperia Community Development Commission

FROM: Nils Bentsen, City Manager and Executive Director

BY: Rod Yahnke, Economic Development Manager

SUBJECT: Real Property Purchase and Sale Agreement – APN 0407-261-03, 04 & 20

RECOMMENDED ACTION

It is recommended that the Hesperia Housing Authority (HHA) adopt Resolution No. HHA 2020-02 and the Hesperia Community Development Commission (CDC) adopt Resolution No. CDC 2020-01: (i) approving “Agreement for the Purchase and Sale Of Real Property and Joint Escrow Instructions” (Agreement) for real property located at the northwest corner of Ninth and Juniper, Assessor Parcel Numbers 0407-261-03, 04 & 20 (Property) by and between ZAB LLC, a California limited liability company (Buyer) and the Hesperia Housing Authority and Hesperia Community Development Commission (Seller); and (ii) authorizing the City Manager and Executive Director to execute all documents necessary to complete the transaction and adjust book value of properties accordingly.

BACKGROUND

The Hesperia Community Redevelopment Agency (HCRA) purchased the aforementioned three parcels in 2011 for future development of multi-family housing. At the time it was zoned for such a project. Since then, zoning has gone through various iterations of change including the current Neighborhood Commercial zoning.

The City was approached by ZAB LLC with interest in developing a mixed use project including retail on the first floor and high-end multi-family housing on the upper floors. Numerous amenities centric to current life styles, e-Commerce, and conveniences such as laundry facilities in each unit are proposed.

Since these properties were purchased by the former HCRA, all three have been vetted through the RDA dissolution process and directed by the State’s Department of Finance (DOF) to sell at the highest price possible, and within the shortest time possible. This transaction will facilitate DOF’s directive, and therefore, no further action is required by City’s Successor Agency nor the County-wide Oversight Board.

ISSUES/ANALYSIS

The sales price was negotiated between Buyer and Seller through Coldwell Banker Commercial (CBC), the City’s commercial real estate broker. The Agreement contains standard real estate deal points including a ten-month due diligence period, twelve-month escrow, and splitting escrow costs pursuant to industry standards. Seller will pay a 5% commission out of sale proceeds pursuant to the City’s contract with CBC. Commission will be split between CBC and Bluestone Realty.

Additional deal points include:

- 1) A Covenant Agreement which includes a project entitlement and construction performance schedule to ensure project is completed in a timely manner and to the standards issued by the City;
- 2) Indemnification from prevailing wage issues;
- 3) Option for HHA and CDC to repurchase the assets if Buyer defaults;

Two PSAs were drafted, one for the CDC properties and one for the HHA property. The HCDC transaction and sale proceeds will be remitted to the County for dissemination to the taxing agencies pursuant to the Long Range Property Management Plan and DOF's direction. The HHA transaction and funds will be deposited with the local HHA.

FISCAL IMPACT

Book value for all three parcels is currently Six Hundred Sixty-One Thousand Two Hundred dollars (\$661,200): 0407-261-03 - \$226,200; 0407-261-04 - \$208,800; and 0407-261-20 - \$226,200.

Total sales price for all three parcels is Four Hundred Thousand dollars (\$400,000): 0407-261-03 - \$137,203.50; 0407-261-04 - \$126,649.38; 0407-261-20 - \$136,147.12 cash at close of escrow. Seller will pay commission and its portion of closing costs and escrow fees through escrow out of sale proceeds. Net proceeds from the sale of each parcel will be determined after escrow closes and all escrow and closing costs are determined and deducted from the overall sales price.

ALTERNATIVE(S)

1. Provide alternative direction to staff.

ATTACHMENT(S)

1. Resolution No. HHA 2020-02
2. Resolution No. CDC 2020-01
3. Purchase & Sale Agreement – HHA
4. Purchase & Sale Agreement – CDC